DRAFT — 28 December 1953 25X1

Approved For Release 2003/07/30 : CIA-RDP79R00890A000200020038-2

NSC BRIEFING

PROBLEMS IN MIDDLE EAST OIL

Re-entry of Iranian oil on world market will accelerate trend among Arab oil producing states to seek revision of contracts with oil companies to ensure against drop in oil revenues should Iranian oil flow again. Local disputes between Arab oil producers will continue, but tendency will be to attempt to force oil companies to pay more revenues to all Arab states concerned.

I Intra-Arab problem.

A. Currently Syria, Lebanon, and to lesser degree Jordan, are all pressing for extensive revenue increases from pipe lines which cross their territory en route to Mediterranean.

1. These nonproducing states have put forth ingenuous theory that profits from oil should be shared equally regardless of whether oil flows vertically or horizontally.

NSA review completed

25X1

Approved For Release 2003/07/30 : CIA-RDP79R00890A000200020038-2

25X1
Approved For Release 2003/07/30 : CIA-RDP79R00890A000200020038-2

B. TAPLINE ~~Tapline~~, owned by ARAMCO ~~Aramco~~, and pipe lines of Iraq Petroleum Company (IPC) are two companies directly affected ~~in~~ in this situation. The ~~Major~~ major attack is against IPC in Syria, and concessions won there will be wrung out of TAPLINE by Lebanon. ~~both in Syria and Lebanon is apparently leveled against Tapline. Concessions that are wrung out of Tapline will be forced upon IPC too.~~

C. Demands of these nonproducing states included under complicated formula demand to "share ~~half~~ the profits" resulting from saving to oil companies realized by use of pipeline over tankers. Impossible to estimate extent to which these states will go to enforce their demands. Dictator Shishakli of Syria is capable of intemperate action. Probably Arabs will attempt to force oil companies to provide out of their share of profits much of what is demanded by nonproducing states.

D. Saudi Arabia's disputes with British-backed Sultan of Muscat and with shaikh of Qatar (head of Persian Gulf) involve prestige not only of all concerned but also involve potentially new oil producing areas.

Approved For Release 2003/07/30 : CIA-RDP79R00890A000200020038-2
25X1

E. Dispute between British-controlled Aden and Yemen at mouth of Red Sea likewise involves territorial disputes which include a possible oil area.

F. Both disputes probably will continue unresolved since no evidence that Arabs involved ready to make any significant concessions.

II <u>Arabs' demands for larger shares.</u>

A. Despite large revenues -- Saudi Arabia about $200,000,000, Iraq ~~$140,000,000~~ $95,000,000, Kuwait nearly ~~$140,000,000~~ 150,000,000 -- all want more income -- Saudi Arabia is perenially broke and Iraq is involved in elaborate ~~Seven~~ Five-Year Development Plan. Shaikh of Bahrein with small revenues has prospects of decreasing income. Only Shaikh of Kuwait at this point may be satisfied.

B. Indicative of coming pressures are recent Iraq-Saudi oil discussions. Aramco has received preliminary indications that more negotiation over profits is imminent. Despite traditional antipathy of Iraqi-Saudi dynasties, these two states are apparently consulting together as they prepare to make additional demands on IPC and Aramco.

C. Demands probably will be for revision ~~of~~ of pricing system of the 50-50 agreement or arrangements by which companies assume additional expense and obligations in connection with operations in these areas. These additional services, such as enlarged local facilities and subsidies to police and students, presumably to come out of company's share of profits.

25X1

III Possibility of expropriation.

[redacted]

B. Despite consequences in Iran, which have been carefully watched by Arab oil states, possibility exists that local governments will use threat of abrogation of contract on recalcitrant companies.

25X6

C. Saudi Arabia, [redacted] constantly pressed for more income.

25X6

25X1
Approved For Release 2003/07/30 : CIA-RDP79R00890A000200020038-2

Government accordingly will put on strong pressure for more revenue from oil. Oil company officials have some fear that the new king will become interested in oil nationalization. In Iraq smoldering ultranationalism may force government at any time to adopt tougher line with IPC. In any event, Iraq will insist on equal treatment with Saudi Arabia. Kuwait will tend to support and be guided by actions of its two larger neighbors, even though it cannot use the revenues already accruing.

25X1
Approved For Release 2003/07/30 : CIA-RDP79R00890A000200020038-2

PROBLEMS IN MIDDLE EAST OIL

SIDELIGHTS

1. About 54 percent of proven reserves of world's oil are in Middle East.

2. Present proven reserves in Saudi Arabia alone amount to 27 1/2 billion barrels -- equivalent to one million ~~billions~~ barrels daily production for 75 years.

3. Demands on ARAMCO exemplefied by a recent visit of King Saud (at that time Crown Prince) when ARAMCO put up an entourage of 400 and fed 2,500 extra individuals for a week.

25X6

[redacted]

5. In discussing possible cutbacks in connection with return of Iranian oil, Saudi officials made it clear they thought cuts should be made in Kuwait.

25X6

[redacted]

Approved For Release 2003/07/30 : CIA-RDP79R00890A000200020038-2

PROBLEMS IN MIDDLE EAST OIL

SOME OIL STATISTICS

Before nationalization Iran's daily production averaged some 600,000 barrels. At present principal Arab states are producing:

Kuwait	-	870,000 barrels a day
Saudi Arabia	-	850,000 " " "
Iraq	-	540,000 " " "

Arab crude production	1952 (barrels per year)	1949 (barrels per year)
Saudi Arabia	301,861,000	179,008,000
Kuwait	273,439,000	90,000,000
Iraq	140,663,000	30,957,000
Qatar	25,249,000	750,000
Egypt	16,373,000	15,997,000
Bahrein	11,004,000	10,985,000
(Iran	7,777,000	204,712,000)

242,919,000 in 1950 the last year of full production

PIpelines to the Mediterranean

	Size	Length	Capacity
A. Trans-Arabian Pipeline Company (TAPLINE) from Saudi Arabia to Sidon, Lebanon :	30-31''	- 754 miles	310,000 BPD
B. Iraq Petroleum Company			
Kirkuk - Tripoli, Lebanon	16	532	160,000
~~Banias~~ Kirkuk Banias, Syria	30-32	556	500,000 (for Jan.54)
Kirkuk Haifa , Israel (inoperative for political	10 - 12	619	84,000
reasons)	16 (incomplete)		146,000

(IPC is prepared to divert the Kirkuk-Haifa line to ~~another~~ an Arab Mediterranean port.)

Possible line: Zubair-Banias 800 730,000

Approved For Release 2003/07/30 : CIA-RDP79R00890A000200020038-2